WORLD BANK NEWS

Volume XII, No. 28 July 15, 1993

World Bank Launches Plan to Get Better Results From Lending

The World Bank has launched a wide-ranging action plan to improve the performance of the projects and programs it finances. The plan is designed to increase the institution's effectiveness in meeting its fundamental objectives of reducing poverty and promoting sustainable growth and development. Assuring the effective implementation of projects already approved will be given equal importance with the preparation and approval of new loans.

The main measures in the plan, which has been endorsed by the Bank's Board of Executive Directors, are to move the management of projects under implementation to center stage, involve borrowers and communities more in projects and increase supervision and other resources to assist borrowers in carrying out projects better.

These extensive changes in the way the Bank operates flow from a frank and self-critical internal report commissioned by Lewis Preston, the Bank's president. The *"Wapenhans Report"* (named for the former Bank vice president who headed

See REFORMS, *page 6*

Hungary Improves Tax System To Help Pay for Transition

The Hungarian tax system handles some $9 billion worth of tax revenue every year. But as free market reforms take root, the growing number of private companies sprouting up across Hungary is outstripping the system's ability to keep up.

To harness those potential taxes and improve the tax authority's efficiency, Hungary is launching a $55.6 million project aimed at modernizing its tax system and beefing up collection. On July 8, the World Bank approved a $29 million loan in support of the project.

As in all of Eastern Europe, one of the crucial issues for Hungary is to improve its tax base and to cover more of the emerging private sector, according to Shamsher Singh of the World Bank's Central Europe Department.

"The number of private enterprises in Hungary has been rising spectacularly," Singh says. "It's important to bring those companies inside the formal tax system because the revenues are critical in helping to support Hungary's transition from a centrally planned economy to a market-based system."

Under the project, tax procedures will be streamlined and the tax information system modernized, while tax administration and collection will be strengthened.

Meanwhile, modern procedures will be introduced in the tax authority to prevent it from drowning in the sharply increased workload. The number of taxable private businesses has shot up from 10,000 in 1988 to 69,000 in 1992 while the number of annual value added tax (VAT) returns is expected to rise from 200,000 in 1992 to 2.4 million this year.

Shamsher Singh

Hungary's tax administration authority, headquartered in the capital Budapest, will also be decentralized to permit more efficient processing of tax returns. New computers and software will improve processing capacity and help link outlying areas to the main system. Currently, the tax authority's outdated computers are overwhelmed by the workload.

See HUNGARY, *page 2*

Tanzania will receive up to $1.2 billion in financial assistance this year. But assistance will depend on progress in implementing reforms. 3

An economic boom could take place in China's western frontier, where there are vast mineral resources and a potential for foreign investment. 5

Lending roundup, page 2
■
World Tables 1993, page 2
■
Development agenda, page 4

LENDING

Project Will Boost Hungarian Government Revenue

HUNGARY, *from page 1*

The project complements the assistance of the International Monetary Fund which has been helping Hungary reform its complex tax system since 1986.

With the reforms, Hungary has simplified its old, intricate system of taxes and special preferences by cutting out exemptions and introducing fewer and more broadly based taxes.

The reforms brought Hungary a personal income tax (PIT) and a VAT in 1988 and an enterprise profits tax (EPT) in 1989. Today, those three taxes pull in some 47 percent of annual government revenue.

Beefing up the tax system comes at an important time for Hungary as an economic slump robs it of its tax revenue. A recession in 1992 caused Hungary's revenues to drop while social spending rose to help those hit by the downturn. The fall in government revenue and the increase in spending pushed the country's budget further in the red in 1992 and is expected to cause a similar deficit in 1993.

Singh says that if successful, the Hungarian tax project could serve as a model for Eastern and Central European countries to follow. Already, tax administration projects are being considered for several other countries in the region. □

ALBANIA The housing sector will speed up its recovery and restructuring with help from an International Development Association (IDA) credit of SDR 10.6 million ($15 million). The project will complete a substantial share of the country's unfinished rental housing. Also, some 4,500 individual households will be able to buy flats under new mortgage and condominium arrangements.

ZAMBIA An IDA credit of SDR 12.8 million ($18 million) will support the country's attempts at improving the flow of government business and implementation of development programs. The project aims to target improvements in Zambia's accounting, auditing, public sector procurement, drafting of laws, justice administration and provision of business information.

PUBLICATIONS

World Tables 1993 Off the Presses

The World Bank's *World Tables 1993*, an annual collection of socio-economic data covering 146 economies, is off the press.

The edition updates socio-economic indicators ranging from per capita incomes to gross domestic investment per capita to agriculture's share in gross domestic product.

The estimates in the *World Tables*, covering the years from 1971 to 1991, are used by the Bank in analysis of economic and social trends in developing countries.

World Tables 1993 is available in book form, on diskette and on magnetic tape. Journalists may receive complimentary copies of the book, which is priced at $39.95, by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C., 20433, U.S.A. Fax: (202) 676-0579.

The diskette is priced at $95 and can be obtained by writing to World Bank Publications, Box 7247-8619, Philadelphia, PA, 19170-8619, U.S.A. For information about magnetic tape, contact the Office of the Publisher, World Bank, 1818 H St., N.W., Washington, D.C., 20433, U.S.A. □

CONSULTATIVE GROUPS

Tanzania Will Receive up to $1.2 Billion For Projects and Reforms in Coming Year

Tanzania will receive financial assistance of up to $1.2 billion from a group of aid donors whose representatives met in Paris from July 12 to 13.

The Consultative Group (CG) of 16 countries and eight bilateral and multilateral institutions made the commitments on the basis of accelerated economic reform. The sum includes $840 million of project assistance, including technical assistance, and $360 million of balance of payments support.

The CG meeting, sponsored by the World Bank, reviewed Tanzania's economic situation and noted the progress made on economic restructuring since the last CG meeting a year ago. Delegates noted Tanzania's further liberalization of foreign exchange management and reforms for improving planning and budgeting of public expenditure. They also noted the steady implementation of a financial sector adjustment program, preparation of the parastatal restructuring and civil service reform programs, adoption of a population policy, development of a plan of action for children, and continuing moves made towards political liberalization.

The bilateral donors welcomed recent progress in opening Tanzanian society to more democratic processes. They also urged continued facilitation of the full participation of political parties in political reform, ensuring free and fair elections, and sustaining observance of human rights, including freedom of the press and equal access to radio.

Delegates, however, expressed widespread concern that the pace of economic reform was inadequate to put Tanzania on a sustainable growth path, or rapid enough to reduce poverty substantially in the medium term. They counseled against continued dependency on flows of external assistance, a risky strategy given the rapidly changing aid situation.

The Tanzanian government, meanwhile, reiterated its commitment to proceed with the next phase of its adjustment program as quickly as possible. It said it would focus on improving public sector management, including the restructuring of public enterprises and establishment of a leaner and more efficient government, which will focus its involvement in the development of social and economic infrastructure and maintenance of law and order. The government also reiterated its commitment to enhancing the role of the private sector as the vanguard for future economic development. □

WHO/ILO

Tanzania's "plan of action for children" would benefit students like these.

READEX
FICHE

Date	Event	Sponsor	Location	Telephone
AUGUST				
16-17	Conference on Democratization, Demobilization and Demilitarization in Central America	Arias Foundation	San Jose, Costa Rica	(506) 552955
SEPTEMBER				
6-11	International Symposium on Industry and Environment in the Developing World	UNESCO for Western Asia	Cairo, Egypt	(962-6) 694-351 ext. 603
8-11	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
9-12	The Industry Summit	World Economic Forum, Harvard University, MIT	Boston, Massachusetts	(41-22) 736-0243
14-15	Meeting on Participatory Development and Good Governance	OECD-Development Assistance Committee	Paris	(33-1) 45-24-8200
20	Publication of *World Bank Annual Report 1993*	World Bank	Washington	(202) 473-1784*
20-22	International Conference on Sustainable Development and "Partnerships for Change"	United Kingdom	Manchester, U.K.	(44-71) 276-8168
20-23	Towards Education for All	University of Brunei Darussalam	Brunei Darussalam	(673-2) 427001
20-24	General Conference	Int'l. Atomic Energy Agency	Vienna	(43-1) 23600
23-24	Meeting of Deputies	Group of 24	Washington	(202) 473-1784*
23-25	Building the Integrated Global Economy	World Economic Development Congress	Washington	(617) 487-7900*
25	Meeting of Ministers	Group of 24	Washington	(202) 473-1784*
25-Oct. 1	International Conference on Sustainable Village-Based Development	Colorado State University Department of Civil Engineering	Fort Collins, Colorado	(303) 491-5753*
26	Fall Meeting of Interim Committee	IMF	Washington	(202) 623-7062*
27	Fall Meeting of Development Committee	World Bank/IMF	Washington	(202) 473-1784*
27-30	Today's Child, Tomorrow's World	National Association of Children's Hospitals	Atlanta, Georgia	(703) 684-1355*
28-30	Annual Meetings	World Bank, IMF	Washington	(202) 473-1784*
30-Oct. 1	Conference on Valuing the Environment	World Bank	Washington	(202) 473-1787*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Xinjiang: Taming China's "Wild West"

With the rapid integration of China into the global economy, a new frontier is opening up in the Chinese west. The autonomous region of Xinjiang is ready to take off.

Xinjiang—meaning "new frontier" and known in the nineteenth century as the "Chinese Turkestan"—is the largest of China's thirty provinces and autonomous regions, with a land area of 1.6 million square kilometers (15 percent of China's total land area). It borders eight countries—Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, and India.

The region's population is about 15.3 million (1.3 percent of China's total population) and represents 40 different ethnic groups. It was because of this large ethnic population that the Xinjiang Autonomous Region was established in 1955. About 20 percent of the population in Xinjiang is urbanized; its capital, Urumqi, has a population of about one million.

The likelihood that the Chinese economic miracle will soon encompass Xinjiang is based on the following developments:

Foreign direct investment (FDI) in China originally went into tourism, then into real estate, and more recently into manufacturing. In the past five years close to 80 percent of FDI was directed toward manufacturing, with most going into small-scale, export-oriented town and village enterprises (TVEs).

In the late 1970s individual investments averaged about $500,000, but by the early 1990s they had risen to an average $1.5 million. Fifty-five percent of FDI went to the southern provinces of Guangdong and Fujian. But FDI in China is changing in several dramatic ways.

Foreign capital has begun to flow into the large state sector and is being directed increasingly toward the exploitation of China's abundant mineral wealth. Since China's western provinces—in particular Xinjiang and Inner Mongolia—have vast mineral resources, significant amounts of foreign investment are poised to flow into these provinces.

Last year Xinjiang was granted autonomy in economic matters. This decision allows local leaders of Xinjiang the same flexibility already enjoyed by the provincial leaders of Guangdong and Fujian.

In March, Beijing took another important step to support Xinjiang by opening the oil and gas sector to foreign participation. This marked the first time that foreign investors had been invited to help China develop its mineral resources.

There are good indications that Xinjiang will experience an upturn in foreign investment like that that occurred in the southern provinces.

—Shahid Burki

Provincial authorities can now play a pivotal role in attracting foreign investment. Just as the leaders of southern provinces have done, autonomous local leaders in Xinjiang can stimulate foreign interest as their new autonomy is coupled with the fiscal decentralization that all provinces enjoy. There are good indications that Xinjiang will experience an upturn in foreign investment like that that occurred in the southern provinces.

Xinjiang's proximity to Central Asia places it in an area where the industrial countries are likely to become engaged in intensive regional activity. A number of Central Asian countries—Kazakhstan and Turkmenistan in particular—have large deposits of oil and gas. Extensive deposits of hydrocarbons have also been found in two regions of Xinjiang.

The Tarim basin, in the heart of the Taklimakan desert, is said to hold oil and gas deposits comparable in size with those currently being exploited in the Middle East. The Turfan-Hemi structure is also said to have sizable deposits of hydrocarbons. Expensive plans are being formulated for the exploitation and transport of oil and gas from Xinjiang for use in China's western provinces and possibly in Japan.

China is working on a 6,000-kilometer pipeline from the Tarim basin to the east coast and has offered the right of way to a pipeline the Japanese are designing to tap gas reserves in Turkmenistan. Projects such as these could pump billions of investment dollars into Xinjiang and Inner Mongolia.

Xinjiang lies at the heart of the new communication link now developing between Western Europe on the one hand and Japan and the fast-growing economies of the Pacific Rim on the other. China has already opened a railway link between Urumqi and Alma Ata, the capital of Kazakhstan.

Alma Ata is well connected by rail with Western Europe, and Urumqi lies at the western end of the busy rail route between eastern China and Xinjiang. An ambitious highway program is in the works to improve communications between Xinjiang and the eastern provinces of China. This "land bridge" could become a main artery between Western Europe and the countries of the Pacific Rim.

The great economic game is already under way in Central Asia. The Pacific Rim and Western Europe are bound to extend their economic frontiers toward this area: China toward Xinjiang, and Europe toward the Central Asian republics of the former Soviet Union. In Central Asia, East and West may finally meet. □

This article was written by Shahid Javed Burki, the director of the World Bank's East Asia and Pacific Regional Office. This article is reprinted from the May 1993 issue of Transition *newsletter, published by the Bank's Transition and Macro-Adjustment Division.*

World Bank Spells Out Next Steps to Be Taken

REFORMS, *from page 1*

the task force which wrote the study) examined how well projects supported by the Bank were being implemented.

It recommended measures to reverse a decline in the proportion of successful operations over the last decade. The action plan addresses all of the *Wapenhans Report's* recommendations.

Preston said: "Every new project is important, but the most important thing is that projects work effectively as part of larger national development strategies. This means that we—the World Bank and the borrowing countries which own those projects—have to put more effort into making sure the projects work."

For some years, lending programs have been identified in the context of the Bank's country assistance strategies. But management of projects under implementation largely focused on addressing problems with specific projects and sectors.

Now portfolio management will become a central part of country assistance strategies. This will increase attention paid in the Bank's dialogue with its borrowers to general as well as specific problems which arise across the entire portfolio of Bank loans to a country. It will involve more senior policy makers so that systemic issues can be identified and addressed expeditiously.

If a country is having difficulty in carrying out existing projects, the Bank will concentrate on ways of helping the borrower to deal with the problems or, if necessary, help the borrower to restructure portfolios or redesign projects to increase their chances of succeeding.

Several ways of improving implementation are envisaged. Projects financed by the Bank belong to the borrowers, who are also responsible for their implementation. Projects in which borrowers are genuine partners are more likely to succeed.

Stepping up efforts to involve borrowing countries and communities affected by projects in the planning and execution of projects is therefore crucial to the plan. The Bank will also continue to build up the capacity of its field offices so that staff work more closely with borrowers.

Speaking of the participation of the poor in the design and implementation of projects directly affecting them, Preston said: "We want this to become the norm for our operations in the years to come."

Another important measure to improve implementation is to simplify project design. Experience shows that some borrowers lack the institutional capacity to carry out more complex operations successfully. Moreover, every operation will have a clear implementation plan so that progress towards the project's development objectives can be monitored more effectively.

New guidelines will focus project supervision assessments on progress toward the operation's goals. More emphasis will be placed on the sustainability of projects—their ability to continue to function after the Bank's loan has been disbursed fully and the twice-yearly supervision ceases.

To reflect the greater importance to be attached to effective implementation, these measures will be bolstered by internal changes intended to alter institutional behavior and attitudes. Among the changes will be giving more weight to portfolio management in promotion policy and increasing the continuity of staff during an operation's life.

The Bank has 1,800 projects and programs under implementation, representing some $370 billion in investments supported by the Bank, other aid agencies, and developing countries themselves. Improving the development impact of these operations has a large potential payoff—and is as important as making new loans.

Preston said: "We have been willing to recognize the problems we face and are now determined to address them...Poverty reduction through accelerating sustainable growth and directly improving the lives of the poor remains our primary goal. I am confident that the actions we are now taking will make the Bank more efficient in the service of that goal." □

Editor's note: A booklet, Getting Results: The World Bank's Agenda for Improving Development Effectiveness, *describes the new approaches in greater detail and is available free of charge from the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433, U.S.A. Fax (202) 676-0579.*

Correction

Last week's issue of *World Bank News* incorrectly reported that aid donors and international organizations pledged $7.2 billion for India. The correct amount is $7.4 billion.

WORLD BANK NEWS

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World Bank News is published in English, French and German by the Information and Public Affairs Division of the World Bank's External Affairs Department, Washington, D.C. 20433, U.S.A. Maps appearing in World Bank News are for the convenience of readers. The denominations used and the boundaries shown do not imply any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. (ISSN 0254 6353) Telephone: (202) 473-9661.

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WORLD BANK NEWS

Volume XII, No. 29 July 22, 1993

Black Sea Nations Join Battle Against Pollution

Five major rivers and 165 million people in 17 countries pour pollution into the Black Sea. Every day, the sea absorbs doses of raw sewage from cities, pesticides and chemicals from farmers' fields, waste from factories, and bilge and oil from passing ships.

The Black Sea offers hardly any way out for the pollution flowing into its reaches. With nowhere to go, the nitrogen, phosphorus and other pollutants have taken their toll. Sewage washes up on beaches, spreading disease and making the shores unsafe for residents and tourists. Other pollutants have spawned algae which have asphyxiated marine life and brought the sea's once flourishing fishing industry to its knees.

But the six countries ringing the Black Sea, especially the formerly socialist nations of Eastern Europe, are joining forces to clean up the mess in their backyards. The sea's coastal countries—Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine—are launching a three-year, $30 million project, a first step in an effort aimed at protecting and restoring the Black Sea's environment. The project goes into effect as soon as all six countries sign on. So far, five of the six have signed, and the sixth is expected to sign soon.

Erik Borset

Ash sludge from a coal-fired power plant pours directly into the Black Sea.

The project is receiving a $9.3 million grant from the Global Environment Facility (GEF). The GEF is a trust fund managed by the World Bank, the United Nations Environment Programme and the U.N. Development Programme, to assist developing countries in protecting the global environment. The European Community, European Bank for Reconstruction and Development, and the Netherlands are also planning to provide financing for the project.

This project will help ensure that in the long run, Black Sea residents will have safe water to drink and clean beaches for recreation, says Peter Whitford, principal environmental specialist in the Environment Division of the Bank's Europe and Central Asia and Middle East and North Africa Regions. By cleaning up the sea, the plan will encourage the growth of tourism, a big revenue-earner for Black Sea countries.

"In the longer-term—perhaps 10 to 20 years—we hope to see the Black Sea fishing industry restored. But that will be difficult and will take a lot of research and hard work," Whitford says.

Measuring Pollution

The Black Sea project will try to measure how badly pollution has damaged the environment and craft policies to tackle the problems. The full extent of the sea's polluted state is only known from scattered reports and is still vague, says Whitford.

"Until five years ago, the World Bank

See **BLACK SEA,** *page 5*

A shortage of telephones and other communications is preventing the Slovak Republic's nascent private sector from growing. 2

Slovenia is taking steps toward a market economy by privatizing public enterprises and banks. 3

New interest rate, page 3

Lending roundup, page 3

Development agenda, page 4

LENDING

First Loan to Slovak Republic Will Revive Ailing Telecommunications

Through a new $231.5 million project, the Slovak Republic will improve its ailing telecommunications network. On July 15, the World Bank approved a $55 million loan in support of the plan.

The loan is the Bank's first to the Slovak Republic since it joined the institution on January 1 as a successor state to the Czechoslovak Federation. The European Investment Bank is cofinancing the telecommunications project with a $55.3 million loan while the European Bank for Reconstruction is lending $55 million.

The Slovak Republic, located in the center of Europe, faces a favorable economic future in the medium-term. The country's 5.3 million people are highly skilled and the country sits on key transit points for gas and goods traffic. But a scarcity of telephones is stifling economic growth.

Almost 85 percent of Slovakians do not have access to a telephone, denying average citizens convenience in their daily lives and making it difficult for the plethora of newly formed private companies to thrive.

"An improved telecommunications system will help Slovakia's development by spurring economic activity but it will also ease communications between people," says Nikola Holcer, senior telecommunications operations officer in the World Bank's Central Europe Department.

"After the 'velvet revolution,' the former government of Czechoslovakia recognized that telecommunications were crucial for its transition from a centrally planned economy to a market-based system. So the government quickly worked out a strategy to modernize and expand the Slovak telecommunications system.

Many new private businesses are in need of modern communications. Banks also need effective communications to allow their money and payments system to move quickly and, without telephones, this simply cannot happen."

The project aims to relieve Slovakia's often congested telecommunications system, provide modern services to businesses and residents and build a "backbone" network for future development.

Under the plan, a new digital network of 2,600 kilometers of fiber optic lines will replace the system's current outdated network of coaxial cables and analog microwave systems.

Some 425,000 new lines will be installed, targeting about 225,000 new subscribers, of which 80,000 will be "high-volume" users, mainly businesses.

The Slovakian telephone company will also be streamlined to help lay the groundwork for its eventual privatization. Technical assistance and training will help the company's staff to learn about private business techniques, including corporate strategy, accounting and auditing.

Government agencies will also develop telecommunications policies that match European Community (EC) guidelines. Standardizing the system now will help ease the republic's joining with the EC if the country decides to become a member in the future.

Slovakia desperately needs to improve and expand its telecommunications if it wants to keep up with the rapid growth of private businesses in the country, says Holcer. In 1992 alone, the number of private companies nearly doubled from 9,600 to 18,600, with many firms demanding to have use of tele-

continued at top of next page

Five-Year Waiting List For Telephones

continued from previous page

phones, faxes, data communications and other business-friendly services.

Holcer says telecommunications were ignored during recent years in Eastern European countries. As a result, 125,000 Slovakians crowd the government waiting list for telephones, each facing a wait of three to five years.

"Under the formerly socialist regimes, the government, enterprises, and some private citizens had telephones but the public was largely left out," he says.

Slovakia's outdated system prevents many calls from simply getting through. Currently, only 35 percent of the calls make successful connections, compared to 65 percent in the EC. During peak hours and on some routes, that percentage often falls to 20 percent and sometimes 5 percent.

The phone distribution system is also unevenly spread across the country. An average 15 percent of all Slovakians have access to a phone. But while 30 percent of the people in the capital Bratislava have access, only 2 to 6 percent of village residents have phones. Not surprisingly, telegraphs are still popular in many rural areas where phones are scarce. □

Interest Rates Set for Six Months

During the six-month period that started July 1, 1993, the World Bank will charge an interest rate of 7.43 percent for loans made under or converted to the institution's variable lending rate system.

The rate is identical to the one charged during the previous six months.

For older variable-rate loans that have not been converted to the current system, the Bank will charge a rate of 7.42 percent.

Slovenia Moves Toward Market Economy

The Republic of Slovenia will move closer to a market-oriented economy through reforms being carried out in the public enterprise and financial sectors.

The World Bank is supporting the reforms with an $80 million loan.

Until recently, Slovenia, with a population of about 2 million people, was a republic of the former Yugoslavia.

The World Bank loan will help Slovenia's government launch reforms that include privatizing state-owned enterprises, restructuring and privatizing banks and strengthening the country's social safety net. The loan will also finance technical assistance to help the ministry of finance prepare a program of pension reforms and to aid in bank restructurings.

The reforms are expected to give Slovenia's economy a boost and make it easier for the country to strengthen economic ties to the countries of Western Europe. □

BRAZIL The government will use a $150 million loan to improve environmental management in municipalities in the state of Minas Gerais. Water systems will be improved and sewage collection and treatment built up. The loan will also cover some of the costs of strengthening the management of several state agencies that will participate in the project.

NICARAGUA A credit of SDR 31.1 million ($44 million) from the International Development Association (IDA) will enable the government to boost agricultural production and protect the environment. The project includes improvements to the country's agricultural research and extension systems and a plan to set up a new land-titling and registration system. Both actions are designed to give farmers incentives to protect their land from degradation.

TANZANIA An IDA credit of SDR 17.3 million ($24.5 million) will help the government increase its capacity for carrying out agricultural development projects. The credit will help pay for institutional changes in the ministry of agriculture and a new agricultural information service.

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AUGUST				
16-17	Conference on Democratization, Demobilization and Demilitarization in Central America	Arias Foundation	San Jose, Costa Rica	(506) 552955
SEPTEMBER				
5-13	International Conference on Population and Development	UN Population Fund	Cairo	(212)297-5000*
6-11	International Symposia on Industry and Environment in the Developing World	UNESCO for Western Asia	Cairo, Egypt	(962-6) 694-351 ext. 603
8-11	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
9-12	The Industry Summit	World Economic Forum, Harvard University, MIT	Boston, MA	(41-22) 736-0243
14-15	Meeting on Participatory Development and Good Governance	OECD-Development Assistance Committee	Paris	(33-1) 45-24-8200
15-17	U.S.-Africa Telecommunications and Broadcasting Conference	*Africa Communications* magazine	Washington	(202) 667-2111*
20	Publication of *World Bank Annual Report 1993*	World Bank	Washington	(202) 473-1784*
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20-24	General Conference	Int'l. Atomic Energy Agency	Vienna	(43-1) 23600
22-25	World Bank/IFC Annual Infrastructure Symposium	World Bank, IFC, World Economic Development Congress	Washington	(617) 487-7938*
23-24	Meeting of Deputies	Group of 24	Washington	(202) 473-1784*
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Governments Will Clean Up Coastal Zones

BLACK SEA, *from page 1*

and other bilateral and multilateral institutions did not know much about the Black Sea," he says. "Many people tried to point out the problems but some of the previous governments in the region either ignored the problems or kept them secret. Now that the governments have changed, all the countries are taking an interest in resolving the problem."

Peter Whitford

The project will serve as a catalyst for countries aiming to use the sea in a more sustainable way, says Whitford. It also follows up on a conference earlier in the year in Lucerne, Switzerland, where environmental ministers from Eastern and Central Europe committed themselves to improving the region's environment.

The project will gather reliable data on the sea's environmental conditions by training staff at national and regional environmental agencies in all six countries. Currently, many of the agencies do not have enough trained staff schooled in environmental issues.

But while agencies prepare to tackle the sea's pollution, the GEF will prepare proposals for 13 environmental projects in the six Black Sea countries. One project already in the works supports Bulgaria's new Office of Coastal Zone Management (CZM) which will coordinate all sectoral decisions affecting the coast. Under the plan, zoning for Bulgaria's coastal development will be clearly defined, areas of biodiversity and natural beauty will be better managed, and legal guidelines for central ministries will be set for regional bodies and city offices.

Six environmental "activity centers" will also be set up under the project. Russia will research how the Black Sea countries can use CZM, Bulgaria will study emergency responses to disasters, Turkey routine monitoring, Ukraine special monitoring and environmental standards, Romania fisheries, and Georgia biodiversity.

World's Worst Water

After decades of damage, the Black Sea now ranks among the world's most polluted bodies of water, says Whitford, who helped start up the Environmental Plan for the Mediterranean in the late 1980s.

"We thought we had a bad situation in the Mediterranean but then we found

See BLACK SEA, *page 6*

Erik Borsel

An old, poorly maintained coastal refinery leaks oil into streams that flow into the sea.

Lost Tourism Revenues Total $300 Million a Year

BLACK SEA, *from page 5*

out about the Black Sea," he says.

The Black Sea's pollution stems from many sources but mainly comes from its five tributary rivers, the Danube, Dniester, Dnieper, Don and Kuban. Agricultural chemicals, like pesticides fertilizers, are often over-applied to fields and run off into the rivers. Many of the fertilizers are also blown by wind or washed directly into the water because they are stored in the open air. In 1982, some lagoons in Romania reported finding levels of DDT that were 1,000 times worse than in the Mediterranean.

The thousands of cities and towns lining the rivers and sea coast often pour raw or poorly treated sewage into the sea. The cities on the Turkish coast do not treat their sewage at all and even the large towns of Odessa, Rostov, Constanta and Miriopol have totally inadequate wastewater treatment.

Industry is also to blame for the Black Sea's condition. Large and small industrial plants in oil refining, chemicals, pulp and paper, coal, metallurgy and refining often release pollutants into the rivers and sea. Industrial pollution is especially extreme in the Black Sea because the formerly socialist nations bordering the sea emphasized economic production gains over environmental considerations.

Often, illegal dumping of industrial and toxic wastes occurred and was occasionally reported. In 1988, 364 drums of toxic waste originating in Italy were found on the beaches and in the coastal waters of Turkey.

Lastly, maritime pollution brings some 45,000 tons of oil into the Black Sea every year. Because many Black Sea ports do not have reception facilities, ships simply discharge their ballast and bilge in port during loading and unloading.

Erik Borset

A fisherman sells shad from his boat on a river that empties into the Black Sea.

Economies Suffering

The steady degrading of the Black Sea's environment has severely affected the health of some residents, wreaked untold economic damage and destroyed much of the region's biodiversity.

For example, the sewage poured into the sea often carries microorganisms which spread gastrointestinal diseases. In turn, unsanitary conditions have prompted beach closings in all six Black Sea countries, robbing the areas of some $300 million in annual tourism revenue. The biggest scare so far was an outbreak of cholera in recent years on the Romanian and Ukrainian sides of the Danube Delta.

Also, while tourism revenue is falling, so is the number of fish hauls. Increasingly, Black Sea fish are becoming victims to both high salinity and "eutrophication."

In recent years, large dams built upriver for irrigation and hydroelectricity have reduced the flows of water in the five rivers feeding the sea. The Kuban, which flows into the adjoining Sea of Azov, has seen its water level cut by 58 percent. As water levels decrease, the amount of salt in the water increases. The high salinity then kills off many fish which normally live in fresher waters.

Eutrophication, meanwhile, stems mainly from overuse of fertilizers, domestic sewage and the use of household detergents containing phosphorus. As waters become eutrophic, they reduce the range of aquatic biodiversity and deplete oxygen in the bottom layer of the sea, nearly depleting many fish stocks. Also, because of the high levels of other types of pollution, even those fish which survive are often unfit for human consumption.

As a result, total fish catches in the Black Sea fell from 900,000 tons in 1986 to 100,000 tons in 1992. Today, many of the fishing fleets in the six Black Sea countries are idle, costing the industry $240 million in revenue and some 150,000 jobs.

If the new project is successful, Whitford says, the Black Sea nations will have pinpointed the sea's main sources of pollution, trained the right staff in environmental protection, and launched programs to improve the sea's dirty conditions. Future phases of the Black Sea environmental effort will focus on a wide range of environmental problems, especially the need to improve water quality and conserve key ecological areas. □

WORLD BANK NEWS

Richard Kollodge, Editor
Christopher Bright, Production Assistant
Andrew Kircher, Reporter

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WORLD BANK NEWS

Volume XII, No. 30 July 29, 1993

Small Investments in Maternal Health Could Save Thousands of Lives

More than 150 million women become pregnant each year in the developing world. About 500,000 of these women die from health problems during pregnancy, according to a new World Bank study.

At least 7 million pregnancies result in stillbirths or infant deaths within the first week of life because of maternal health problems, adds the study, *Making Motherhood Safe*.

These alarming trends could be reversed if governments took steps to provide better maternal health care, including prenatal care and delivery services, and made it easier for women to benefit from family-planning services.

So-called "safe motherhood programs" would result in a "substantial reduction" in maternal mortality and illness rates and would cost governments only about $2 per capita each year, the study projects. Half of that sum would support maternal health programs and the other half would pay for family-planning services. "Prenatal care and delivery services are among the most cost-effective interventions with which governments can improve adult and child health," the study says.

"The pathway to safe motherhood consists of interlinked steps: an adolescent's nutritional status; a woman's [access] to information about contraception, complications during pregnancy and sexually transmitted diseases; access to appropriately trained health providers...; and access to health-care facilities or emergency transport to facilities elsewhere," the study asserts.

Programs to reduce maternal mortality rates are not only justified on humanitarian grounds, but on economic grounds as well. "Well-directed inter-

See MOTHERHOOD, *page 4*

UNICEF/Carolyn Watson

A health aid examines pregnant woman at clinic in Sierra Leone.

International Bank for Reconstruction and Development took steps to strengthen its balance sheet during the fiscal year that ended June 30. **2**

Development agenda, page 3

Press advisory, page 4

IBRD Announces FY93 Financial Results

The International Bank for Reconstruction and Development (IBRD) achieved solid financial results and took steps to strengthen its balance sheets in fiscal 1993, posting $1.13 billion in net income for the year.

The IBRD's fiscal 1993 began July 1, 1992 and ended June 30, 1993. The IBRD is the main lending arm of the World Bank group of organizations.

Loan-Charge Waivers

The IBRD's standard variable lending rate declined by 17 basis points to 7.43 percent during fiscal 1993.

The IBRD continued to waive 50 basis points of the institution's 75 basis-point commitment fee in fiscal 1993. The IBRD also enhanced its waiver of a portion of the lending rate to 35 basis points for eligible borrowers. Together, these loan-charge waivers reduced net income for the year by close to $500 million.

More than three-fourths of the IBRD's borrowers were eligible for the 35 basis-point waiver. This waiver helped lower borrowing costs on IBRD loans for countries whose debt-service payments over the preceding semester had been timely.

Loan-Loss Provisions

During the fiscal year, the IBRD increased its loan-loss provisions from 2.5 percent to 3 percent of loans outstanding plus the present value of callable guarantees. The move is based on an assessment of collectibility risk of the total loan portfolio. Provisions totaled $3.15 billion as of June 30, 1993. The amount is $610 million higher than in the previous fiscal year.

Seven countries in non-accrual status at the end of fiscal 1993 accounted for 2.4 percent of outstanding loans, compared with six countries accounting for 2.1 percent of loans in fiscal 1992.

Guatemala and Peru cleared their arrears to the IBRD during the fiscal year. Loans assumed by three of the successor states to the former Socialist Federal Republic of Yugoslavia entered non-accrual status. These states are the Federal Republic of Yugoslavia (Serbia and Montenegro), Bosnia-Herzegovina, and the former Yugoslav Republic of Macedonia. The other two Yugoslav successor states—the republics of Croatia and Slovenia—are servicing their debt to the IBRD.

Reserves-to-Loans Ratio

The IBRD's reserves-to-loans ratio amounted to 11.4 percent at the end of fiscal 1993. Reserves totaled $11.7 billion. Reserves, combined with accumulated surplus funds waiting disposition, amounted to 12.5 percent of loans at the end of the fiscal year. These figures do not include prefunding of interest waivers.

The IBRD increased the target reserves-to-loans ratio from 11 percent to a range of 13 percent to 14 percent for fiscal years 1994 to 1995. The target is subject to an annual review. The planned increase in this ratio is expected to result in additional income-generating capacity. One result of this increase will be to offset the gradual decline in net income caused by old amortizing loans that have been earning relatively high fixed-interest rates.

Liquidity

The IBRD reduced its liquid holdings by $2.4 billion in fiscal 1993 to a level of $18.5 billion. The lower liquidity reflects revised estimates of cash requirements during the next three years. The IBRD keeps liquidity equal to at least 45 percent of the next three years' net cash requirements to ensure flexibility in its borrowing decisions.

At the end of fiscal 1993, the IBRD's liquidity ratio was 48 percent, the same ratio reported at the end of fiscal 1992.

In fiscal 1993, liquid assets earned a financial return of 6.09 percent, compared with 8.07 percent in fiscal 1992. The change reflects lower levels of short-term interest rates.

Borrowings

The IBRD borrowed the equivalent of $12.7 billion worth of medium- and long-term funding through the international financial markets in fiscal 1993. The institution also refinanced the equivalent of $3.8 billion in short-term borrowings.

The IBRD's medium- and long-term direct borrowings that took place before swaps were in 12 currencies. After-swap funding was in U.S. dollars, Japanese yen, Deutsche mark, Swiss francs and Netherlands guilders, the main currencies of the IBRD's currency-pool loans.

All medium- and long-term funding in fiscal 1993 was at fixed rates after swaps, with an average cost of 5.97 percent, compared with 6.69 percent in fiscal 1992. The average maturity increased from seven to nine years.

The IBRD's fiscal 1993 offerings featured two issues of U.S. dollar global bonds, one issue of which had a 30-year maturity. Offerings also included two issues of Japanese yen global bonds. During fiscal 1993, the IBRD also offered bonds in Irish pounds for the first time.

Capital Subscriptions

IBRD member governments continued to subscribe to the institution's general capital increase. At the end of fiscal 1993, the Bank's subscribed capital totaled $165.6 billion, equivalent to 90 percent of the authorized capital of $184 billion.

Membership in the IBRD increased from 160 countries to 176 in fiscal 1993. Thirteen republics of the former Soviet Union and Micronesia joined the IBRD. Meanwhile, the Czech and Slovak Federal Republic was succeeded by the Czech Republic and the Slovak Republic, and the Socialist Federal Republic of Yugoslavia (Yugoslavia) was succeeded by the republics of Croatia and Slovenia.

At the end of fiscal 1993, action was pending for membership for Bosnia-Herzegovina, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia (Serbia and Montenegro). □

Date	Event	Sponsor	Location	Telephone
AUGUST				
16-17	Conference on Democratization, Demobilization and Demilitarization in Central America	Arias Foundation	San Jose, Costa Rica	(506) 552955
SEPTEMBER				
5-13	International Conference on Population and Development	UN Population Fund	Cairo	(212)297-5000*
6-11	International Symposia on Industry and Environment in the Developing World	UNESCO for Western Asia	Cairo, Egypt	(962-6) 694-351 ext. 603
7-11	The New Development Paradigm: Organizing for Implementation	UNDP, Organizing for Development, An Int'l. Institute	Virginia	(202) 483-6344*
7-10	International Conference on HIV In Children and Mothers	Pediatric AIDS Resource Center	Edinburgh, U.K.	(44-31) 668-4407
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
9-12	The Industry Summit	World Economic Forum, Harvard University, MIT	Boston, MA	(41-22) 736-0243
14-15	Meeting on Participatory Development and Good Governance	OECD-Development Assistance Committee	Paris	(33-1) 45-24-8200
15-17	U.S.-Africa Telecoms and Broadcasting Conference	*Africa Communications*	Washington	(202) 667-2111*
20	Publication of *World Bank Annual Report 1993*	World Bank	Washington	(202) 473-1784*
20-22	International Conference on Sustainable Development and "Partnerships for Change"	United Kingdom	Manchester, U.K.	(44-71) 276-8168
20-23	Towards Education for All	University of Brunei Darussalam	Brunei Darussalam	(673-2) 427001
20-24	General Conference	Int'l. Atomic Energy Agency	Vienna	(43-1) 23600
22-25	World Bank/IFC Annual Infrastructure Symposium	World Bank, IFC, World Economic Development Congress	Washington	(617) 487-7938*
23-24	Meeting of Deputies	Group of 24	Washington	(202) 473-1784*
23-25	Building the Integrated Global Economy	World Economic Development Congress	Washington	(617) 487-7900*
25	Meeting of Ministers	Group of 24	Washington	(202) 473-1784*
25-Oct. 1	International Conference on Sustainable Village-Based Development	Colorado State University Department of Civil Engineering	Fort Collins, CO	(303) 491-5753*

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PUBLICATIONS

Initiative Aims to Cut Maternal Mortality by Half

MOTHERHOOD, *from page 1*

ventions to improve women's health, particularly when combined with education, also expand the social and economic capacity of countries through the contributions of women and their healthier, more productive children," according to the study.

In an effort to reduce the high toll of maternal morbidity and mortality, the World Bank, the World Health Organization, the United Nations Population Fund and agencies from more than 45 countries launched a "Safe Motherhood Initiative" at a conference in Nairobi in 1987. The goal of the initiative is to reduce maternal illness and deaths by half by the year 2000.

The initiative, says the study, has brought greater awareness of the need to improve maternal health, and countries are beginning to develop plans and programs to address the problem. "The challenge, however, is to accelerate program implementation at the country level." □

Making Motherhood Safe is priced at $10.95. Journalists may receive complimentary review copies by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433, Fax (202) 676-0579.

Lifetime Risk of Maternal Death

World	1 in 67
Industrial countries	1 in 1,687
Developing countries	1 in 51
Africa	1 in 22
Oceania	1 in 54
Asia	1 in 57
South America	1 in 115
Commonwealth of Independent States	1 in 805
Europe	1 in 2,132
North America	1 in 2,671

Annual Meetings Press Registration Under Way

Registration for journalists planning to attend the 1993 annual meetings of the International Monetary Fund (IMF) and the World Bank Group is under way.

The meetings will take place September 28-30.

Only "accredited" journalists may attend the meetings, and accreditation is limited to people whose primary profession is journalism. Journalists should send a completed "Request for Press Accreditation" form to the office of Graham Newman at the IMF Information Division by September 15.

To be accredited, members of the press must hold valid press credentials. For correspondents based in the Washington, D.C. metropolitan area, only press credentials issued by the White House, the U.S. Department of State, the U.S. Treasury Department, and the U.S. Department of Defense will be accepted. U.S. Congress press passes will not be accepted.

Journalists who are not based in the Washington metropolitan area and who hold no current press credentials must attach a signed assignment letter from their editor to the accreditation form.

Access to the press room, press conferences, briefings and other special events is restricted to registered participants. Press registration will begin at 9 a.m. on Sept. 21 at the IMF Visitors' Center. To register, journalists must appear in person and present valid press credentials that bear a photograph.

Press Accreditation

Contact the IMF's Information Division for a "Request for Press Accreditation" form. Tel. (202) 623-7063. Fax (202) 623-6772.

For More Information...

For a complete list of meetings and press conferences and information about events sponsored by the World Bank, contact Bill Brannigan at (202) 473-1784.

For information about events sponsored by the International Monetary Fund, contact Hernan Puentes at (202) 623-7062 or Graham Newman at (202) 623-7063.

WORLD BANK NEWS

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Andrew Kircher, Reporter

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WORLD BANK NEWS

Volume XII, No. 31 August 5, 1993

LENDING

Kazakhstan Moves Toward Market Economy

The former Soviet republic of Kazakhstan is taking steps to unleash its economic potential through economic reforms which are being supported by a $38 million World Bank loan.

Kazakhstan has extensive natural resources, vast agricultural lands and a highly educated work force. But before the country can tap into its potential, it needs to move ahead with reforms, according to Pervaiz Rashid, operations adviser in the World Bank's Europe and Central Asia Region.

The government has already launched a number of reforms throughout the economy, Rashid says, and the World Bank is now supporting reforms, primarily in the areas of private-sector development, developing the financial sector, privatizing public enterprises and aiding the social sectors.

"The World Bank loan will help increase the government's capacity to further design and implement reforms," Rashid says. "It is imperative that the

See KAZAKHSTAN, *page 2*

COMMODITY REPORT

Prices for Most Goods Tumble In Second Quarter

The average price for primary commodities other than fuel fell 4.3 percent in the second quarter of 1993, according to statistics just published by the World Bank's International Trade Division.

The decline was led by a 6.7 percent drop in prices for metals and minerals and a 5.9 percent drop for agricultural raw materials.

Prices for lead and zinc plunged to record lows in real terms last quarter as supplies on the London Metals Exchange increased. In response to the falling prices, a number of producers have begun shutting down operations. European producers are considering a plan to close production facilities throughout the European Community. Demand for these metals has been increasing in North America and in some developing countries of Asia but has been falling in Europe and Japan.

A build-up of exchange stocks of copper since June 1992 has intensified the decline in copper prices in April and May as hedge selling and the liquidation of China's long positions hit the market. Supply disruptions and increased demand in North America and parts of East Asia helped moderate the

See COMMODITIES, *page 4*

Y. Hador

Farmer in Thailand slices bark of rubber tree for latex. Rubber prices have dropped in 1993.

Last week the World Bank posted net income totaling more than $1 billion. This week the institution's Executive Directors allocated part of the income to reserves and IDA.

7

Development agenda, page 3

Commodity price tables, page 5

Lending roundup, page 7

LENDING

More than 30,000 Enterprises to Be Privatized

KAZAKHSTAN, *from page 1*

momentum of the reform program be continued." The loan will cover some of the costs of technical assistance to help the government maintain this momentum.

Pervaiz Rashid

Some of the technical assistance will help the government privatize or restructure state-owned enterprises. The government hopes to eventually privatize up to 27,000 small-scale enterprises, 7,000 medium-scale enterprises and 200 large enterprises. Small-scale enterprises employ up to 200 people, medium-scale enterprises employ between 200 and 5,000 people, and large enterprises have more than 5,000 employees.

Technical assistance is also aimed at modernizing the financial sector. Actions will include improving payments systems, continuing the development of banking legislation and reorganizing the banking system.

Other technical assistance will help the government strengthen the country's social safety net, improve employment services, undertake critical health-care reforms and finance training for government officials.

The World Bank loan will also pay for expert advice in tackling environmental problems and in introducing broad legal reforms.

Major reforms in Kazakhstan began in early 1992, with initial price liberalization, the privatization of some enterprises and the restructuring of some parts of the government to accommodate the country's move toward a market economy. Despite considerable economic problems, Kazakhstan has steadily pursued these reforms, Rashid says. Prices of most goods were liberalized in January 1992. Today, the government controls prices of only a few basic goods, such as brown flour, public transportation and imported medicines.

Progress has already been made in paving the way for privatization of state-owned enterprises, and the government is making it easier for entrepreneurs to get businesses off the ground. "Most legal and institutional barriers to private participation in trade and distribution have been removed," Rashid adds. And, Kazakhstan has been in the forefront of opening the economy to direct foreign investment.

"Kazakhstan is among the largest and potentially wealthiest countries of the former Soviet Union," Rashid says. "But sustainable economic stability can only be achieved through further reforms. The Government of Kazakhstan has made considerable progress in the areas of macroeconomic stabilization and structural reforms, and the World Bank will support the government with significant lending as the reform program continues apace." □

New Office In Kazakhstan

The World Bank is opening a resident mission in Almaty, Kazakhstan.

Staff at the new office will work with the government in coordinating development programs and will support World Bank activities in the country.

The Bank has appointed David Pearce to head the new office. Pierce, a British national, joined the institution in 1968. He took up his post on August 1.

Population: 18 million

Pop. Growth Rate: 0.6 Percent

Real Annual Growth Rate of GDP in 1993: - 11 Percent

Pop. Growth Rate: 0.6 Percent

Average Births Per Woman: 2.8

Retail Price Inflation, 1993 Estimate: 600 Percent

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9-10	Pakistan Consortium Meeting	World Bank	Paris	(33-1)40-69-3016
9-10	Conference on Portfolio Investment Flows to Developing Countries	World Bank	Washington	(202) 473-3914*
9-12	The Industry Summit	World Economic Forum, Harvard University, MIT	Boston, MA	(41-22) 736-0243
14	*Water Policy Paper*: Press Briefing	World Bank	Washington	202-473-1785*
14-15	Meeting on Participatory Development and Good Governance	OECD-Development Assistance Committee	Paris	(33-1) 45-24-8200
15	*Annual Report 1993*: Press Briefing	World Bank	Washington	202-473-1784*
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20-24	General Conference	Int'l. Atomic Energy Agency	Vienna	(43-1) 23600
24	*East Asian Miracle*: Press Briefing	World Bank	Washington	202-473-2475*
24	*Environment Report 1993*: Press Briefing	World Bank	Washington	202-473-1788*
22-23	World Bank/IFC Annual Infrastructure Symposium	World Bank, IFC, World Economic Development Congress	Washington	(617) 487-7938*

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COMMODITY REPORT

Weak Global Economic Growth Caused Many Prices to Fall

COMMODITIES, *from page 1*

impact of the build-up.

Iron-ore prices are low, but major producers and exporters are aggressively implementing their investment plans to increase their capacity to meet an anticipated surge in demand as world economic growth recovers.

Meanwhile, an upward flurry in aluminum prices in June faltered as expectations of economic recovery in North America and Japan proved to be too optimistic. A 10 percent increase in London Metals Exchange stocks between the end of March and the middle of July confirmed the stall in consumption.

Nickel prices declined during the first quarter and exchange stocks remained high. Still, European and Japanese stainless-steel producers exported large quantities of goods to China, Southeast Asia and the United States, where demand for the metal was increasing.

Worldwide production of crude steel increased in the first five months of 1993, with China and the Republic of Korea leading the gains. Production in the United States increased moderately. Production in some European countries declined substantially.

Agricultural Materials

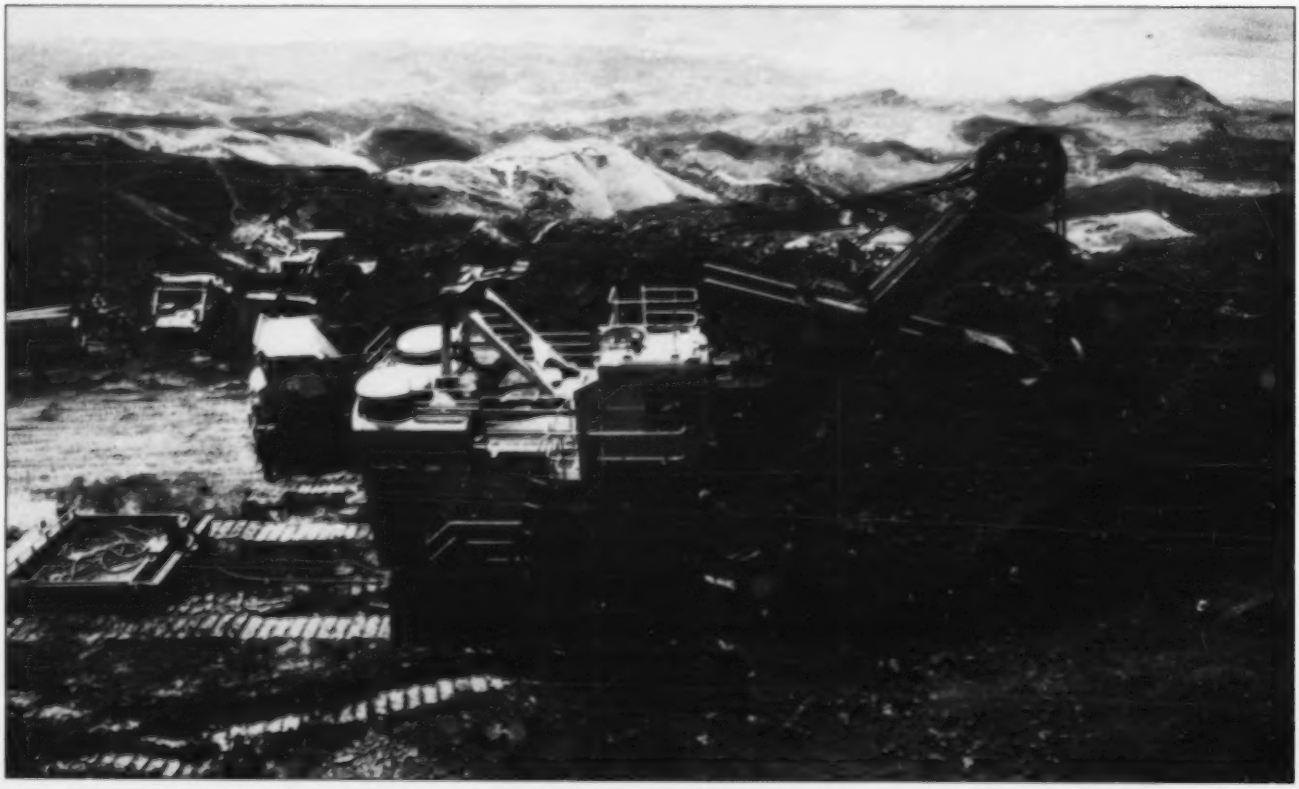
Cotton prices slid 4.3 percent in the second quarter, mainly because the worldwide cotton crop in 1993-94 might exceed demand. Weak economic growth in many countries caused many buyers to be cautious, contributing to the lower prices.

A continuing decline in prices for natural rubber suggests that the year's average price will fall short of the 1992 average. Weak prices are the result of seasonal sluggish demand in the Northern Hemisphere and of economic uncertainties in China, Japan and the United States.

Despite sharply lower prices for jute, worldwide exports remained subdued in 1992-93. The long-term prospects for jute consumption in China are becoming dimmer because of modernization of grain-handling and storage equipment.

Meanwhile, prices for Malaysian logs rose sharply in Japan in response to a ban on log exports from Sabah and in response to restrictions on exports and logging in Sarawak. Still, prices for tropical logs and sawnwood have increased only slightly in Europe, where demand has been weak.

See COMMODITIES, *page 8*



T. Sennett

Iron ore being mined in Belo Horizonte, Brazil. Some major producers are trying to boost their production capacity to meet an anticipated surge in demand.

COMMODITY PRICE DATA

Commodity	Unit	QUARTERLY AVERAGES Oct-Dec 1992	Jan-Mar 1993	Apr-Jun 1993	MONTHLY AVERAGES April 1993	May 1993	June 1993
BEVERAGES							
Cocoa	¢/KG	106.1	100.3	99.8	101.2	99.6	98.7
Coffee: *Robusta	¢/KG	104.8	102.7	101.1	98.9	101.8	102.7
*Brazil	¢/KG	146.0	144.1	123.4	121.1	126.2	122.8
Oth Mild	¢/KG	151.4	147.5	134.2	127.6	137.1	137.8
Tea	¢/KG	213.5	211.5	172.7	177.6	172.7	167.8
CEREALS							
Rice Thailand	$/MT	275.8	274.9	235.7	251.3	228.8	227.0
Grn Sorghum	$/MT	93.0	95.0	92.2	95.1	93.2	88.5
Maize	$/MT	94.7	95.2	97.3	100.6	98.6	92.8
Wheat: Canada	$/MT	178.1	183.8	169.9	172.7	166.1	170.8
*U.S.	$/MT	140.4	150.6	136.2	156.3	140.1	112.3
MEAT							
Beef: U.S.	¢/KG	252.8	242.3	267.0	259.2	267.6	274.3
*Lamb	¢/KG	260.0	266.0	298.7	291.3	303.2	301.7
SUGAR							
World	¢/KG	18.7	20.1	24.5	24.6	26.1	22.9
FRUITS							
Bananas	$/MT	362.1	611.6	471.6	563.7	461.6	389.6
Oranges	$/MT	446.9	401.0	383.6	380.6	393.6	376.7
FATS & OILS							
Palm Oil	$/MT	403.3	414.3	373.0	392.0	371.0	356.0
Coconut Oil	$/MT	483.3	436.7	418.7	402.0	418.0	436.0
Groundnut Oil	$/MT	587.3	611.3	673.3	623.0	685.0	712.0
*Soybean Oil	$/MT	430.3	438.3	452.3	448.0	448.0	461.0
Soybeans	$/MT	228.3	237.7	245.0	244.0	246.0	245.0
Copra	$/MT	316.3	278.0	275.0	262.0	274.0	289.0
Groundnut Meal	$/MT	167.3	153.0	152.3	152.0	154.0	151.0
Soybean Meal	$/MT	209.3	203.3	195.3	194.0	195.0	197.0
FISHERIES							
*Shrimp	¢/KG	1,123.1	1,148.2	1149.6	1164.0	1160.3	1124.4
*Fish Meal	$/MT	454.0	395.3	352.3	361.0	348.0	348.0
FIBERS							
Cotton: A Index	¢/KG	117.7	131.7	132.4	134.6	132.7	129.9
*U.S.	¢/KG	122.6	134.2	133.3	137.2	134.3	128.4
Jute	$/MT	286.7	260.0	260.0	260.0[E]	260.0[E]	260.0[E]
*Sisal	$/MT	476.0	550.0	605.0	605.0[R]	605.0	605.0
*Wool	¢/KG	367.7	312.5	290.8	0.0[B]	0.0[B]	290.8[G]
RUBBER							
RSS NO.1:U.S	¢/KG	105.7	105.3	96.8	97.4	96.5	96.5
*Singapore	¢/KG	0.0	0.0	80.9	80.9[R]	81.2	80.7
METALS & MINERALS							
Copper	$/MT	2,204.8	2,207.3	1865.9	1949.9	1794.5	1853.4
Tin: Malaysia	¢/KG	572.0	567.9	535.4	552.1	545.8	508.3
Nickel: LME	$/MT	5,864.8	5,980.3	5755.8	5972.3	5762.5	5532.4
*Free Mkt	$/MT	5,834.2	6,023.0	5785.7	6038.5	5782.7	5535.8

COMMODITY PRICE DATA

Commodity	Unit	QUARTERLY AVERAGES Oct-Dec 1992	Jan-Mar 1993	Apr-Jun 1993	MONTHLY AVERAGES April 1993	May 1993	June 1993
METALS & MINERALS (cont'd)							
Aluminum: LME	$/MT	1,180.0	1,186.6	1132.6	1108.5	1124.0	1165.3
*Free Mkt	$/MT	1,262.1	1,269.2	1198.1	1180.3	1194.6	1219.4
Lead	¢/KG	48.4	41.9	40.7	42.1	40.7	39.4
*Silver	¢/TOZ	373.7	365.7	426.3	396.4	445.0	437.5
*Gold	$/TOZ	338.1	329.5	360.4	342.1	367.2	371.9
Zinc: *U.S.	¢/KG	114.7	109.3	103.0	106.1	104.1	98.8
LME	¢/KG	108.9	104.3	97.0	100.5	98.0	92.6
Iron Ore	$/MT	31.6	28.1	28.1	28.1	28.1	28.1
Steel: *Rebar	$/MT	310.0	340.0	346.7	340.0	340.0	360.0
*Merch Bar	$/MT	306.7	316.7	363.3	310.0	390.0	390.0
*Wire Rod	$/MT	383.3	390.0	396.7	390.0	400.0	400.0
*Section	$/MT	340.0	336.7	346.7	330.0	350.0	360.0
*Plate	$/MT	430.0	433.3	443.3	440.0	440.0	450.0
*HR Coilsheet	$/MT	346.7	350.0	370.0	360.0	370.0	380.0
*CR Coilsheet	$/MT	446.7	430.0	460.0	430.0	470.0	480.0
*Galvan Sheet	$/MT	526.7	510.0	546.7	520.0	550.0	570.0
ENERGY							
Crude Oil: *Official	$/BBL	17.5	17.1	17.3	17.3	17.5	17.3
*Spot	$/BBL	17.4	16.2	16.4	16.8	16.6	15.9
Coal: *Australia	$/MT	35.8	32.3	31.0	31.0	31.0	31.0
*U.S.	$/MT	38.0[R]	38.0[R]	38.0	38.0	38.0	38.0
TIMBER							
Logs: *Cameroon	$/CM	332.8	315.5	320.7	324.2	323.3	314.5
Malaysia	$/CM	258.2	336.5	483.3	490.0[E]	500.0[E]	460.0[E]
Sawnwood:*Malaysia	$/CM	516.0	500.1	508.1	506.6	509.1	508.6
*Ghana	$/CM	496.6	484.7	523.2	513.3	525.0	531.3
*Plywood	¢/SH	429.3	608.1	745.1	738.1	751.8	745.3
*Woodpulp	$/MT	547.5	454.6	446.2	451.8	443.5[R]	443.5
FERTILIZERS							
Phosphate Rock	$/MT	41.0	38.0	38.0	38.0[E]	38.0	38.0
*UREA	$/MT	127.0	108.7	105.0	100.0[E]	106.0[E]	109.0[E]
*TSP	$/MT	121.6	118.1	107.5	109.6	107.5	105.5
*DAP	$/MT	135.4	123.1	119.4	113.5	122.8	122.0
*Potassium Chloride	$/MT	111.9	109.0	107.8	108.3	107.5	107.5
SELECTED PRICE INDICES (1990=100)[C]							
Agri. Food		89.1	90.7	85.9	87.1	86.4	84.4
Fats and Oils		109.4	108.4	104.6	104.6	104.6	104.5
Agri. Non-food		86.0	89.1	86.2	86.8	86.1	85.5
Agri. Timber		122.7	160.0	229.8	232.9	237.7	218.7
Metals and Minerals (excl. steel)		85.3	82.3	76.1	77.6	75.1	75.6
Steel Products		85.5	85.5	90.8	85.9	92.3	94.2
33 Selected Commodities (excl. petroleum and steel)		89.8	92.5	92.8	94.2	93.3	91.1

A: Not Available; B: No Quotation; C: Price indices have been rescaled from average 1979-81 to 1990 base since the October 1992 issue; E: Estimate; G: Average for less than period indicated; N: Nominal; R: Revised; *: Not included in index. Journalists may obtain more detailed information about commodities by writing to the World Bank, International Trade Division, Room S-7053, Washington, D.C. 20433.

FINANCE

World Bank Allocates FY93 Income To Reserves and Affiliated Agency

The Executive Directors of the World Bank (formally known as the International Bank for Reconstruction and Development) decided on August 3 on the disposition of the bank's $1.13 billion net income earned during the 1993 fiscal year which ended June 30.

At the end of each fiscal year, the Bank's Executive Directors determine how much of the net income to allocate to the General Reserve and how much to use for other purposes in light of the adequacy of the Bank's reserves and the financial prospects for the coming years.

Last May, the Bank's Executive Directors decided to increase the Bank's reserves target from 11 percent of loans to a range of 13 percent to 14 percent for fiscal years 1994-1995, subject to annual reviews. In light of that decision, the Executive Directors today recommended to the Bank's Board of Governors to transfer $1.09 billion held in surplus to the General Reserve and decided to allocate a further $675 million of the fiscal 1993 net income to the General Reserve. These actions are expected to bring reserves to 13 percent of loans by June 1994.

In view of the year's satisfactory income, the Executive Directors also decided to continue the partial waivers of interest and commitment fees on Bank loans. For borrowers with a record of timely payments, Executive Directors agreed to waive 25 basis points of interest due during fiscal 1994, which began on July 1. This reduces the spread charged by the Bank to 25 basis points (1/4 percent) over the cost of borrowed funds. They allocated $215 million of fiscal 1993 net income to the General Reserve to support that waiver.

For the fifth consecutive year, the Executive Directors approved a 50 basis-point (1/2 percent) waiver of commitment fees on all undisbursed loan balances. This reduces the commitment fee to be charged during fiscal 1994 to 1/4 percent.

The Executive Directors recommended to the Bank's Board of Governors that the remaining $240 million of fiscal 1993 net income be transferred to support activities of the International Development Association (IDA), the World Bank affiliate that lends on concessional terms to the poorest countries. Of the $240 million, $140 million would be transferred directly to IDA and $100 million would be used to replenish the Debt Reduction Facility for countries eligible only for IDA credits. This facility was established in 1989 for the purpose of buying back commercial debt owed by such countries. □

ARGENTINA The government will make it easier for the poor to gain access to basic health care, nutrition programs and child development services. The World Bank is helping finance the effort with a $100 million loan.

BELARUS An $8.3 million World Bank loan will help pay for technical assistance to build up government agencies in charge of economic management and reforms.

CHINA The International Development Association (IDA) has approved a credit of SDR 79.3 million ($110 million) to improve health care in rural areas by providing training to health-care workers.

MADAGASCAR The government is carrying out reforms aimed at increasing the role played by private firms in the country's petroleum sector. IDA has approved a credit of SDR 36.7 million ($51.9 million) in support of the reforms.

POLAND Forests will be protected and expanded through a project being supported by a $146 million loan from the World Bank. The project will help protect the environment and meet the demand for wood products.

COMMODITY REPORT

Weak Global Economic Growth Caused Many Prices to Fall

COMMODITIES, *from page 4*

Banana prices in the United States plunged throughout the second quarter to an average of $471.60 a ton, compared with the first-quarter average price of $589.80 a ton. Prices had risen during the first quarter because of poor weather and supply disruptions.

Citrus prices inched upward as the harvest in the Northern Hemisphere nears completion. But the average price in June was about 20 percent lower than it was a year earlier because of the sharp increase in this season's production.

Tight supplies and strong demand for leaner meat buoyed prices for U.S. beef. Demand for poultry remained high, and prices climbed despite increased production.

Prices for arabica coffee increased sharply because major producers in Latin America announced a plan to withhold about 20 percent of their 1993-94 crop from the export markets.

Cocoa prices slipped as supplies remained large and negotiations for a new international cocoa agreement failed to result in new terms for export controls.

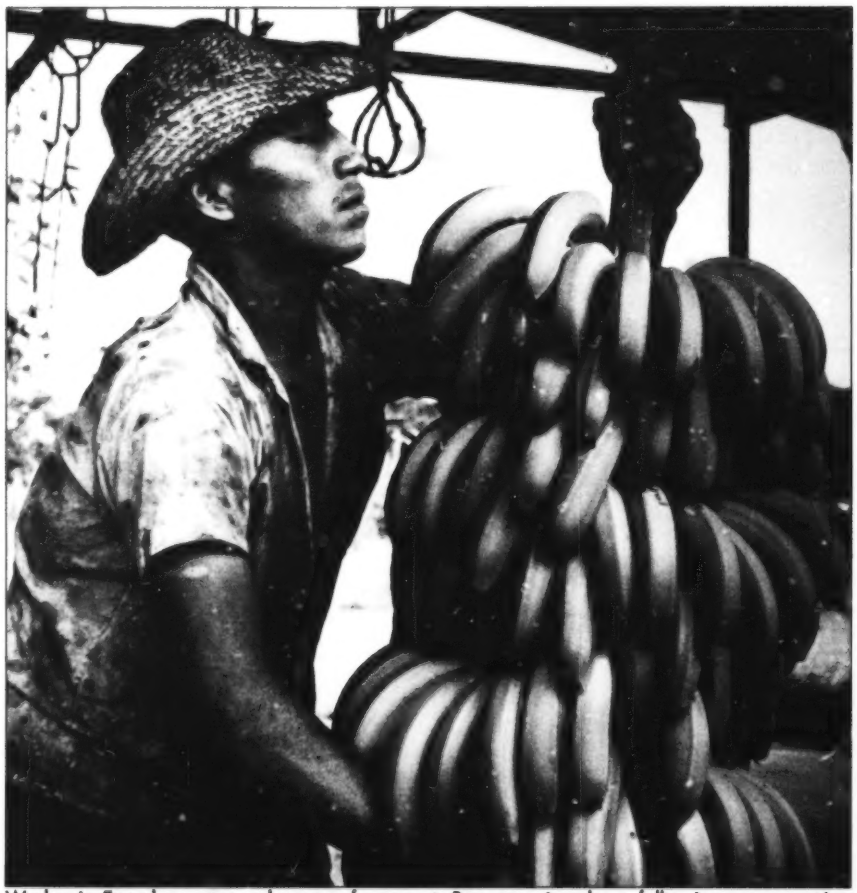
Declining prices for grains turned around when heavy rains and flooding in the midwestern United States and dry weather in the southeastern part of the country damaged maize and wheat crops.

Strikes by mine workers tightened supplies of U.S. domestic thermal coal last quarter. But the strikes failed to affect production of coal for export.

The average OPEC price for crude oil during the second quarter was close to what it was three months earlier. The oil market became volatile, though, because of an anticipated decision by OPEC to change quotas and because of an increase in stocks of oil and petroleum. □

WBN Takes Two-Week Break

World Bank News will take a two-week break. The next issue of the newsletter will be published on August 26.



Worker in Ecuador prepares bananas for export. Banana prices have fallen in some countries, especially the United States.

WORLD BANK NEWS

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World Bank News is published in English, French and German by the Information and Public Affairs Division of the World Bank's External Affairs Department, Washington, D.C. 20433, U.S.A. Maps appearing in World Bank News are for the convenience of readers. The denominations used and the boundaries shown do not imply any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. (ISSN 0254 6353) Telephone: (202) 473-9661.

The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.